RESPONSE
to the
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of the
AUDITOR GENERAL

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RESPONSE TO THE 1982 REPORT OF THE AUDITOR GENERAL

TABLE OF CONTENTS

	Page
A. MINISTER'S STATEMENT	1
B. MANAGEMENT OVERVIEW	3
C. GOVERNMENT ACCOUNTING POLICIES	
1. Capital Financing Authorities Exclusion	5
2. Workers' Compensation Board	5
D. GOVERNMENT ACCOUNTING POLICIES	
1. Unrecorded Bank Accounts	6
2. Unexpended Balance of Appropriations	6
3. Superannuation Funds	6
4. Acquisition of Fixed Assets Without Proper Authority	7
5. Provincially Administered Sinking Funds	7
6. Provision for Doubtful Accounts Receivable	7
7. Inventory Valuation	7
8. Audit of Provincial Income Taxes	7
E. INTERNAL CONTROL	
1. Unauthorized Bank Accounts	8
2. Leave Management Systems	8
3. Approval of Contracts	8
4. Motor Vehicle Revenues	8
5. Improved Control Procedures	8
F. STATUS OF GENERAL FINDINGS IN PREVIOUS REPORTS OF THE AUDITOR GENERAL	9
G. STATUS OF FINDINGS IN PREVIOUS FINANCIAL MANAGEMENT AND CONTROL AUDITS	
1. Ministry of Education	12
2. Ministry of Finance	12
3. Ministry of Forests	12
4. Ministry of Health	14
H. STATUS OF FINDINGS IN PREVIOUS COMPREHENSIVE AUDITS—Ministry of Environment	16
I. EXPENDITURE REVIEW	18
J. REVIEW OF INTERNAL AUDIT	20
K. PROGRESS INDEX	22

Statement by The Honourable Hugh A. Curtis on the 1982 Report of the Auditor General

It is my pleasure to present the government's response to the 1982 *Report of the Auditor General*. I acknowledge and welcome the Auditor General's annual report as constructive criticism of the government's systems of financial management. I also recognize the positive influence her comments have on our efforts to improve those systems.

The past year has been a difficult period of fiscal restraint. The financial managers of government have been called upon to implement the new financial administrative policies without additional staff resources, while at the same time continuing to maintain operational efficiency. I am encouraged by the dedicated support they have given to the immediate goal of implementing the new policies. I am also confident that their continuing efforts will result in a sound financial management and control structure throughout all levels of the government.

Hugh A. Curtis
Minister of Finance

MANAGEMENT OVERVIEW

In the *Response to the 1981 Report of the Auditor General* mention was made of the plans developed by the ministries to implement the financial administration and control policies that flowed from the new *Financial Administration Act*. Because new ground was being broken, and the policies required such comprehensive changes to practices and procedures, it was recognized that time and dedicated resources would be required to accomplish this large task.

The effects of restraint on expenditures during the past year have inevitably affected the ability of some ministries to maintain original implementation schedules. Nevertheless, there has been a concerted effort by financial managers to improve the systems of financial administration within the constraints of existing resources. The results have included:

- a formally documented system of delegated expenditure authorities;
- identification and documentation of all revenue sources;
- documentation of asset control systems in some ministries;
- computerized control of authorization of government bank accounts;
- financial management information systems with commitment control over expenditure in some ministries, and
- the documentation in ministry accounting manuals of many financial administration and control procedures.

The government sponsored Financial Management and Control Course and Financial Management Certificate Program have proved very effective in improving skills of staff and line managers in the financial function. Since the inception of the course and certificate program in November 1982, 100 government employees have successfully completed the course. Of these, 16 have also completed the certificate program. In addition to providing this training the government has initiated a study of the classifications of financial officers across government with a view to creating a clear career path for employees in financial positions. Both of these initiatives, to educate and to offer employees opportunities for advancement in the financial community, are intended to raise and maintain the level of professional competence in the financial function.

The following *Response to the 1982 Report of the Auditor General* outlines the government's progress in responding to problems identified by the Auditor General in her most recent *Annual Report to the Legislative Assembly*. Cross references to the 1982 *Report of the Auditor General* are made in the righthand margin of this volume.

Section, Subsection	Auditor General's Reference (1982 Report)

C GOVERNMENT ACCOUNTING POLICIES

C 1. Exclusion of the Capital Financing Authorities from the Consolidated Financial Statements

1982
P. 7
1.2–1.4

The accounting policy applied to exclude the Capital Financing Authorities, as stated in the *Response to the 1981 Report of the Auditor General*, is based upon the recommendation contained in a report prepared by Coopers & Lybrand, Chartered Accountants, in July 1980 on financial reporting by the Government of British Columbia. The government has followed a second recommendation of the report and stated, in Note 18 to the Consolidated Financial Statements for the Fiscal Year Ended March 31, 1982, its potential commitment to meet the debt service costs of the Authorities. Also shown is the amount contributed during the 1982 fiscal year.

Nonetheless, the government is prepared to reconsider the future accounting treatment of these entities and has undertaken to review the situation with its accounting advisers and the Auditor General.

C 2. Exclusion of the Workers' Compensation Board from the Consolidated Financial Statements

1982
P. 7
1.5

As recommended by the Auditor General, the decision to exclude the Workers' Compensation Board and its unfunded liabilities from the consolidated financial statements was reassessed at March 31, 1982.

The government is of the opinion that the insurance program of the Board continues to be actuarially sound.

Section, Subsection	Auditor General's Reference (1982 Report)

D FINANCIAL STATEMENTS

D 1. Unrecorded Bank Accounts

P. 12
2.7–2.9

The Ministries of Finance and Attorney General have taken steps to ensure that all court trust bank accounts and the offsetting trust fund liabilities are correctly accounted for and reported. The trust bank account monies are properly safeguarded and controlled. Bank reconciliation procedures are now satisfactory and reporting procedures on the accrual basis are in place.

D 2. Unexpended Balance of Appropriations

P. 12–13
2.10–2.13

This pertains to the 1982 fiscal year during which the Ministry of Education was provided with $2.8 million for various projects relating to the International Year of Disabled Persons.

The grant process approved by Treasury Board provided for two equal installments—one at the beginning of the project and the other upon receipt of acceptable mid-term project reports.

Careful government scrutiny of all project proposals resulted in major delays in approvals. Original schedules called for December 31, 1981 completion of projects. In fact the first installments were not paid until October/November 1981 and at March 31, 1982 only 77 per cent of total grants had been paid.

Although most of the projects were substantially completed by March 31, 1982 the Ministry of Education chose not to release the balance of payments until the projects were completed to their satisfaction. Under Section 26 of the *Financial Administration Act* the ministry could have held back the remaining payments in a special account in the consolidated revenue fund. However, the ministry elected to issue and hold the cheques in ministry custody until they received satisfactory evidence of contract performance. This was a deliberate financial control measure which resulted in the redepositing and saving of $27,000 with respect to projects that did not meet the agreed standards of performance.

The Occupational Training Council was the custodian of $68,693 in grant funds. These trust funds were used by the Council to monitor the activities of the grant recipients mentioned above, during the period following March 31, 1982.

The ministry exercised prudent financial controls in withholding cheques in this case.

D 3. Superannuation Funds

P. 13
2.14–2.16

The Superannuation Commission has recommended to the government for its consideration that, with respect to the MLA Superannuation Plan:

- the legislation be amended to reflect the payment of supplementary benefits;
- the government contribute a matching 1¼ per cent to the fund; and,
- the Public Service Superannuation Fund be funded each January 1 with the capital cost of the supplementary benefits that will be paid to MLAs.

The plan for MLAs would then be in all respects the same as for Public Service Employees.

Section, Subsection	Auditor General's Reference (1982 Report)

D 4. Acquisition of Fixed Assets Without Proper Authority

P. 13–14
2.17–2.21

This refers to the payment in kind of British Columbia Buildings Corporation (BCBC) promissory notes by the transfer to the Province of buildings valued at $5.9 million.

The transaction between the government and the Crown corporation was, in effect, a reversal of the original one transferring the properties from the Province to BCBC. This arrangement was contemplated and provided for in the original land transfer agreement between the Province and BCBC. The values used were the original transfer values, plus improvements at cost, less depreciation.

The statutory authority used to support the purchase of the buildings from BCBC by the Province was Section 35 (b) of the *Financial Administration Act*. This permits payments from the consolidated revenue fund by . . . "(b) another method approved by the Treasury Board."

The approval of Treasury Board was obtained to write down the assets to conform with the government's stated accounting policy of recording fixed assets at a nominal value of one dollar. Section 14 (1) (a) . . . "The Treasury Board may authorize all or part of an asset . . . to be written off . . . " was used for this purpose.

D 5. Provincially Administered Sinking Funds

P. 14–15
2.22–2.25

The Ministry of Finance agrees with the recommendation. An accurate and equitable method for distributing investment income is now being used. Further enhancements to the computer system in the current fiscal year will automate the investment income distribution and allow for a more frequent distribution.

D 6. Provision for Doubtful Accounts Receivable

P. 15
2.26–2.29

The Ministry of Forests and the Office of the Comptroller General will coordinate their review procedures in future to ensure that an accurate provision is made.

D 7. Inventory Valuation

P. 15–16
2.30–2.31

The Office of the Comptroller General will continue to work with the ministries to help them identify all inventories that should be reported at year-end.

D 8. Audit of Provincial Income Taxes

P. 16–17
2.32–2.39

The Auditor General's concern has been largely resolved. As stated in the 1982 *Report*, the Auditor General of Canada will provide an annual attest audit opinion on financial statements prepared from Government of Canada records setting out provincial income taxes assessed, allocated, paid and due to the provinces.

Section, Subsection	Auditor General's Reference (1982 Report)

E INTERNAL CONTROL

E 1. Unauthorized Bank Accounts

P. 19
3.8–3.12

The Auditor General identified 109 government bank accounts that were not registered on the central record of bank accounts maintained by Treasury Division. However, the bank balances were included in the accounts and financial statements of the Province. Treasury Division now maintains a computeriz. 1 record of all bank accounts for which the government has responsibility.

The "inaccuracies of a non-financial nature" in "more than 30 accounts" have to do with incorrect account descriptions and outdated signing authorities. These deficiencies have been corrected.

E 2. Leave Management Systems

P. 19–20
3.13–3.16

The old centralized leave management system relied entirely on the quality of information provided by the ministries and the promptness of action taken by them to update the central system. In the past the required information was not always transmitted by ministries on a timely basis.

A new payroll system in the current fiscal year integrates both pay and leave entitlement information.

Although still relying on data input from the ministries, the new system is expected to produce accurate and more reliable information because of its direct link with the payroll system.

E 3. Approval of Contracts

P. 20
3.17–3.19

The Ministry of Transportation and Highways has taken steps to ensure that the contract limit for Treasury Board approval is now being observed in all cases, regardless of whether there will be cost recovery.

E 4. Motor Vehicle Revenues

P. 20–21
3.20–3.22

The Ministry of Transportation and Highways does not have sufficient audit capability to effectively assess the adequacy of controls in ICBC's revenue processing systems.

The ministry will monitor the collection of motor vehicle licence revenues within the limitations of its authorized staff levels and will acquire the necessary internal audit resources as soon as possible.

E 5. Improved Control Procedures

P. 21
3.23–3.25

The Ministry of Agriculture and Food reports the following current status with respect to audits of the Partial Interest Reimbursement Program:

- Post-audits on a sampling of claims from the 1979 and 1980 programs have identified ineligible payments of $616,389. As at September 30, 1983, $371,548 of that amount had been recovered and efforts are continuing to recover the balance.
- In February 1983, four auxiliary auditors were hired to undertake a thorough pre-audit of all claims for the 1982 calendar year where interest paid by the farmer was over $25,000 (even though the maximum reimbursement is $10,000). To September 30, 1983 this has involved 969 audits, 303 of which are now complete with an identified total of $467,778 in ineligible claims. The ministry is hoping to complete the rest of the audits by December 31, 1983.
- Improved procedures have been adopted to screen the eligibility of all other applications, before payments are made.

Section, Subsection	Auditor General's Reference (1982 Report)

F STATUS OF GENERAL FINDINGS IN PREVIOUS REPORTS OF THE AUDITOR GENERAL

F 1. Government Accounting Policies

P. 23
1981 2.4

See comments in C1 of this report.

F 2. Application of New Accounting Policies

P. 23
1981 4.7

Continued improvements are being made in applying the new policies. Inconsistencies are being eliminated as staff become more knowledgeable in applying the new accounting policies.

F 3. Comments on the Financial Statements

F 3.1 Control Over Securities Lodged as Deposits

P. 23
1978 BB.20

The Office of the Comptroller General is working with the ministries to develop systems that will provide accounting control over the securities and effective liaison with the Securities Section of the Ministry of Finance where the securities are held in safekeeping.

F 3.2 Loan Agreement Terms

P. 23
1978 BC.14
1981 4.21

The asset was registered in the name of the Province on August 30, 1982. The Purchasing Commission is currently advertising the ship for sale internationally. However, due to the specialized nature of the asset, the timing and amount of recovery are uncertain.

F 3.3 Verification of Income Taxes Payable

P. 24
1980 3.14
1981 10.14

See comments in Section D8 of this report.

F 3.4 Unrecorded Asset

P. 24
1981 4.15

As stated in the 1982 *Report*, an account receivable was set up in the accounts and included in the financial statements at March 31, 1982.

F 3.5 Mortgage Interest—Provincial Home Acquisition Fund

P. 24
1981 4.22

As stated in the 1982 *Report*, the interest on mortgage assets was included as revenue in the March 31, 1982 financial statements.

F 3.6 Interest on Accounts Receivable

P. 24
1981 4.23

As stated in the 1982 *Report*, there was no material misstatement of revenue in the March 31, 1982 financial statements.

F 3.7 Accrued Interest—Crown Land Fund

P. 24
1981 4.26

As stated in the 1982 *Report*, interest revenue was recorded in the accounts at March 31, 1982.

F 4. MINISTRY OF ATTORNEY GENERAL—Fee Collection

P. 24
1979 7.16

The OPTIMUS accounting system is now operating in the office of the Public Trustee. The system is adequately documented and provides satisfactory accounting controls.

Section, Subsection	Auditor General's Reference (1982 Report)

F 5. MINISTRY OF FINANCE

P. 25 1978 11.16 and 11.18 1980 4.17

The need for improved authorization controls was recognized by Treasury Division management. Considerable improvement has been achieved with the hiring of the necessary accounting personnel and a suitable division of duties within the organization. The systems are still being examined with a view to improving controls wherever possible.

Better control over interest receipts has been obtained. The control document is a pre-list of interest due on all securities held. This report lists the due dates of interest payments to the Province and is used to ensure that all interest receivable is received when due.

F 6. MINISTRY OF HEALTH

F 6.1 Patient Trust Accounts

P. 25 1979 7.38

The Internal Monitoring Section of the Ministry of Health is currently undertaking a review of trust accounts held in the various institutions of the ministry. Based on the findings of the review, appropriate policies will be developed and implemented throughout the ministry to ensure that all trust accounts are accounted for in an appropriate manner.

F 6.2 Control Accounts

P. 25 1979 7.39

As stated in the 1982 *Report*, the unexpended balance of funds for hospital and health unit construction has been transferred to the consolidated revenue fund.

F 6.3 Hospital Insurance Fund

P. 25 1979 7.40–7.41

As stated in the 1982 *Report*, the Ministry of Health has recommended a legislative amendment to delete the requirement for the Hospital Insurance Fund from the *Hospital Insurance Act*.

F 6.4 Emergency Health Services Commission

P. 25 1979 7.45

As stated in the 1982 *Report*, weaknesses in the billing and collection process have been identified and corrective action is being undertaken. The ministry has recently established a Collections Section within the Finance Division to be responsible for collecting these and other receivables of the ministry. Uncollectible accounts are now being written off on a regular basis.

F 6.5 Patient Maintenance Accounts

P. 25 1980 4.26

The Ministry of Health has hired a Manager of Revenue who will share responsibility with the Policy Section of the ministry for compilation of policies regarding patient maintenance charges receivable. The policies would cover all the issues of setting rates, handling receipts, writing off accounts, etc. The ministry has also undertaken a review/audit of all maintenance accounting systems in place within the ministry's institutions and this document will be used to form the basis for the development of the policies mentioned above. Uncollectible patient maintenance accounts are now being written off on a regular basis.

F 7. MINISTRY OF LANDS, PARKS AND HOUSING

P. 26 1979 7.57

As stated in the 1982 *Report*, the ministry has given direction to the British Columbia Housing Management Commission regarding reporting requirements for housing cooperatives and nonprofit societies. The Commission's external auditors will now conduct reviews to ensure compliance with those requirements.

F STATUS OF GENERAL FINDINGS IN PREVIOUS REPORTS OF THE AUDITOR GENERAL

Section, Subsection	Auditor General's Reference (1982 Report)

F 8. MINISTRY OF PROVINCIAL SECRETARY AND GOVERNMENT SERVICES

F 8.1 Certification of Statement of Accounts — **P. 26 1978 8.B12 and 8B.13**

The ministry has under consideration amendments to the *Queen's Printer Act* to remove the requirement for certification by the Comptroller General.

F 8.2 Inventory Accounting System — **P. 26 1978 8B.14**

Improvements to the Queen's Printer inventory accounting system, including perpetual inventory records, have now been completed.

F 9. PUBLIC BODIES

British Columbia Educational Institutions Capital Financing Authority — **P.26 1980 5.10**

Difficulties that had been experienced by the borrowing institutions with the legal form of the debentures required by the Financing Authority have been resolved.

The Financing Authority is now receiving debentures for all loans made to the educational institutions.

Section, Subsection	Auditor General's Reference (1982 Report)

G STATUS OF FINDINGS IN PREVIOUS FINANCIAL MANAGEMENT AND CONTROL AUDITS

G 1. MINISTRY OF EDUCATION

G 1.1 Staffing and Training

G 1.1.1 Assessment of Training Needs — **P. 27, 1980 9.24**

The ministry has no further comments.

G 1.1.2 Training and Career Development Policy — **P. 27, 1980 9.25**

The ministry has no further comments.

G 2. MINISTRY OF FINANCE — **P. 28, 1980 9.67**

The role and organization of the financial function in the ministry are now clearly defined. Job descriptions and organizational structures related to the delivery of financial services have been reviewed.

The ministry has taken an active part in the management review of the financial function across government through the work of the Advisory Committee on Classification of Financial Officers.

G 3. MINISTRY OF FORESTS

G 3.1 Management of the Financial Function

G 3.1.1 Comprehensive Development Plan — **P. 28, 1981 8.41**

As stated in the 1982 *Report*, a five-year Finance and Administration Plan was published in August 1982.

G 3.1.2 Financial Staff Requirements — **P. 29, 1981 8.46**

As stated in the 1982 *Report*, the Financial Staff Requirements Study has been completed. However, the recommendations made in the report have not been fully implemented due to the government restraint program.

G 3.1.3 Financial Staff Training Needs — **P. 29, 1981 8.47**

Further enhancements to the training program have been postponed due to current restraint measures. However, the ministry has taken advantage of the government sponsored Financial Management Control Course and the Financial Management Certificate Program. Fourteen ministry employees have successfully completed the course and four of those employees have been awarded the Financial Management Certificate.

Section, Subsection	Auditor General's Reference (1982 Report)

G 3.2 Planning, Budgeting and Budgetary Control

G 3.2.1 Planning Process

P. 29–30
1981 8.49

As stated in the 1982 *Report*, a pilot project established in Kamloops was cost effective and Treasury Board has approved the extension of the project into the five other regions of the ministry. See G 3.3.1 below for more details on the Financial Management Information System.

G 3.2.2 Variance Analysis

P. 30
1981 8.52

As stated in the 1982 *Report*, the ministry has established a variance analysis system which includes budget information and output measurements to be used for comparison with actual results.

G 3.3 Accounting and Financial Reporting Systems

G 3.3.1 Financial Management Information System

P. 30
1981 8.54

Development of the ministry Financial Management Information System is proceeding. The implementation plan for this project calls for the system to be installed in two major phases. Phase I is targetted for installation April 1, 1984 and will include:

- implementation of micro computers in district offices;
- expenditure and commitment entry, processing and forwarding at the district office;
- systems interface to the central government batching, payroll and accounts systems;
- distribution of the primary reports to district, region and branch offices; and,
- all control, audit and security functions to support the installed functions.

At the completion of Phase I the ministry will have the computers operational in all offices, and communications between them and Victoria established. Development of other systems utilizing the facilities as well as Phase II can then proceed. Phase II will incorporate the following functions into the system:

- integration with the Estimates development programs;
- interfaces to the Harvest Data Base, Leave Management and Forests Executive Information Systems;
- reporting of 'goal' and 'goal achievement' information;
- unit costing;
- project costing;
- more detailed breakdown of salary costs;
- reporting of revenue and accounts receivable by district and region; and,
- implementation of the "Information Centre" functions for Financial Services and the regions.

Section, Subsection	Auditor General's Reference (1982 Report)

G 3.3.2 Duplication of Reporting Systems

P. 30
1981 8.57

As stated in the 1982 *Report*, duplication in subsidiary and independent accounting and financial reporting systems has been eliminated where possible. Further progress in this area will be made once the Financial Management Information System is implemented.

G 3.4 Section 88 Credits

G 3.4.1 Guidelines for Projects Undertaken Before Approval

P. 31
1981 8.63

As stated in the 1982 *Report*, guidelines have been developed and have been approved by the ministry's Executive Committee.

G 3.4.2 Standardization of Schedules

P. 31
1981 8.64

As stated in the 1982 *Report*, the ministry is attempting to standardize schedules, the majority of which have been developed and are in the process of being printed.

G 3.5 Assets

G 3.5.1 Doubtful Accounts

P. 31
1981 8.73

As stated in the 1982 *Report*, policies providing an effective and efficient system for controlling assets, including accounts receivable, and doubtful accounts, have been developed in accordance with the Financial Administration Policy Manual and are in the process of being implemented.

G 3.5.2 Asset Policy

P. 31
1981 8.74

A review was made of the assets control system in the ministry by an independent management consulting team and Ministry Steering Committee. The Executive Committee has reviewed the recommendations and approval was given in January 1983 for implementation. The policies and procedures are in the process of being developed.

G 4. MINISTRY OF HEALTH

G 4.1 Management of the Financial Function

G 4.1.1 Role of the Central Financial Group

P. 32
1981 8.91

The ministry, through its policy manual, has communicated to all areas of the ministry the organization and various responsibilities of the Financial Services Division. At the present time the policy is restricted to the Financial Services Division, but it is the ministry's intention to expand the policy to incorporate all other financial areas of the ministry in an attempt to define their roles and their functional responsibility to the Central Financial Group. As well, all new job descriptions that have a financial component are being reviewed and approved by the Senior Financial Officer prior to final ministry approval.

G 4.1.2 Financial Staffing Requirements

P. 32
1981 8.92

All management positions in the Financial Services Division have been filled. It is the ministry's opinion that the numbers and qualifications of the financial staff currently in place in the ministry will provide sufficient expertise to carry out its mandate in an efficient and effective manner.

G STATUS OF FINDINGS IN PREVIOUS FINANCIAL MANAGEMENT AND CONTROL AUDITS

Section, Subsection	Auditor General's Reference (1982 Report)
G 4.1.3 Financial Administration Policy Manual	P. 32 1981 8.94
The ministry is continuing to develop its Financial Administration Policy Manual and is about to enter into the second volume of financial policies. It is the ministry's opinion that the implementation of these policies has significantly increased financial accountability in the ministry and provided a significantly higher degree of guidance and direction for field and headquarters staff in carrying out their financial responsibilities. The ministry has developed a five-year plan for implementation of all of the policies at present contained within the Treasury Board Financial Administration Policy manual and to incorporate them, in a ministry context, within the ministry manual.	
G 4.2 Planning, Budgeting and Budgetary Control	P. 33 1981 8.96
The ministry has not yet organized an approach to this issue although Hospital Programs guidelines have been improved.	
G 4.3 Accounting and Financial Reporting Systems	P. 33 1981 8.100
The ministry has established a Financial Systems Steering Committee, chaired by the Senior Financial Officer, that will be responsible for reviewing and identifying all financial information needs within the ministry as well as amendments/modifications to any existing financial systems. At present, the Financial Services Division is implementing a voucher typing system that will allow for automated data entry to the Ministry of Finance of all cheque vouchers. The ministry will then be in a position to produce its own financial management reports based on this data. The ministry is also considering the development of a general ledger system similar to that being developed by the Ministry of Human Resources, dependent upon the availability of funding.	
G 4.4 Expenditure and Revenue Controls	P. 33 1981 8.104
All revenue sources have been identified and progress is being made in improving control over them. The impact of these changes will become evident during the current fiscal year.	
G 4.5 Internal Audit	
G 4.5.1 Internal Audit Needs	P. 34 1981 8.107
The review of the financial function, including management and operating systems in the ministry, will be the mandate of the Internal Audit group which has yet to be formed. This group will report direct to the Deputy Minister. The Internal Monitoring Section of the Financial Services Division is primarily responsible for ensuring compliance with established financial policies and procedures. Until such time as the Internal Audit group is in place within the ministry, a number of internal audit functions are being performed by the Internal Monitoring Section.	
G 4.5.2 Internal Audit Role	P. 34 1981 8.108
See above comment.	

Section, Subsection	Auditor General's Reference (1982 Report)

H STATUS OF FINDINGS IN PREVIOUS COMPREHENSIVE AUDITS: MINISTRY OF ENVIRONMENT

H 1. Program Management and Accountability Information

H 1.1 Functional Guidance and Direction

P. 35
1981 9.71

Program directors are participating in an exercise to redefine objectives to make them more results oriented and to develop performance criteria and measurement systems.

H 1.2 Definition of Responsibilities

P.35–36
1981 9.84

Jurisdictional uncertainties between the Ministry of Health and the Water Management Branch and Air Management Branch of the Ministry of Environment have been resolved. Procedures are being drafted which will clarify roles between waste management staff and conservation officers. The ministry is working with the Ministry of Energy, Mines and Petroleum Resources to finalize guidelines for the construction of tailing dams. An agreement is being finalized with the Ministry of Energy, Mines and Petroleum Resources to deal with discharges from oil and natural gas drilling and production facilities. A draft statement has been prepared concerning roles and responsibilities between the Waste Management Branch and the Provincial Emergency Program for incidents involving spills of hazardous materials.

H 2. Controls in the Waste Management Program

H 2.1 Development of Program Policies and Procedures

P. 36
1981 9.125

Substantial progress has been made in the development and implementation of policy and procedures for the Waste Management Program.

H 2.2 Identification and Collection of Information

P. 36–37
1981 9.135

The Ministry Information Systems Committee is continuing to work on this subject. A special task force has reported on the information needs of the Waste Management Program, including long and short-term planning. The program director has identified priorities on each of these information needs and work is proceeding to implement them. The ministry is determining through strategic planning and special studies, various environmental areas that will require attention in the short and long terms.

H 2.3 Maintaining a Discharger Inventory

P. 37–38
1981 9.142

The *Waste Management Act* provides for cancellation of permits and allows the ministry to classify operations and exempt them, in whole or in part, from the requirements of the Act. Procedures have been developed and inactive permits are being identified and cancelled where appropriate. The ministry's list of registered dischargers has been reviewed and their status updated.

A mechanism has been developed to provide for the reporting and recording of unauthorized discharges.

H 2.4 Review of Current Permits

P. 38
1981 9.158

A ranking system has been established in the Waste Management Program and permits are being reviewed on the basis of environmental risk.

H STATUS OF FINDINGS IN PREVIOUS COMPREHENSIVE AUDITS: MINISTRY OF ENVIRONMENT

Section, Subsection	Auditor General's Reference (1982 Report)

H 2.5 Assessing the Grounds for Deferment of Negotiated Abatement Agreements

P. 38
1981 9.156

Under Section 13 of the new *Waste Management Act*, the Minister of Environment may provide a person with temporary relief from the requirements of a permit by issuing a variance order. All issues involving economic grounds are being handled through this variance procedure, whereas the Waste Management Program deals in the normal manner with deferments requested due to technical reasons.

H 2.6 Policy and Procedures for Data Submission

P. 38
1981 9.168

A task force established to review program information needs and improvements finalized a report in December 1982. As a result, several new working groups were formed with Computer Services and with regional representatives. These new groups will define the replacement computer systems SEQUIN/SEAM/PASS/SAMAN.

H 2.7 Policy and Reporting Procedures for Inspections

P. 38
1981 9.173

Discharges under permit have been divided into groups, each of which has a specified frequency for inspection. Extent of inspection normally depends upon requirements of individual permits. Inspection schedules are to be submitted to senior management.

H 3. Financial Management and Control

H 3.1 Assessing the Number and Quality of Staff

P. 39
1981 9.203

A new organization chart has been approved for the Financial Services Branch which reflects three new managerial level positions with appropriate skills. These new positions are: Manager, Budget and Reports; Manager, Revenue; and Manager, Policy, Systems and Procedures. Another new position designated Manager, Accounting Operations, replaces the position designated Assistant Director, Financial Services and gives recognition to the new positions established and the increased complexities of the accounting operations.

The Regional Managers of Administration have obtained management status and will be given training to increase skill levels in financial management. Branch requirements for financial management personnel are being reviewed to determine numbers and skills available in relation to anticipated need for increasing responsibilities.

H 3.2 Quality of Budget Submissions

P. 39–40
1981 9.211

The ministry's Budget and Reports Section has been strengthened by obtaining management status for the head of the section, and the designation of a Budget Officer and a Reports Officer in place of a clerical position that had responsibilities in both areas. The Reports Officer's position has not yet been filled due to current restraints. These changes should allow for a more critical review of budget submissions and more intensive training and guidance for staff involved in the budget preparation process. A ministry Budget Policy and Procedures Manual was originally scheduled for completion in May 1983. This project has been delayed due to the changes in Treasury Board budget policies and procedures during the restraint period.

Section, Subsection	Auditor General's Reference (1982 Report)

I EXPENDITURE REVIEW

I 1. Guidelines for Travel Expenditures

P.51–52
6.18–6.24

The anomalies and inconsistencies referred to by the Auditor General are partly the result of travel expense rules and procedures which have been developed over the years for three different groups of employees. The *per diem* allowance for one group, for example, is adjusted to cover a partial day, while for another there is no reference in the rules to a reduction of the daily allowance for less than a full day on travel status. Similarly, inconsistencies may arise from the choice of mode of transportation by a claimant with resulting additional costs over the "full costing" basis.

The Ministry of Finance recognizes the need for clearly stated guidelines and reasonableness tests and agrees with the Auditor General's recommendation. The ministry has taken an active part in formulating practical guidelines and rules for claiming travel expenses and has submitted them to Treasury Board for consideration.

I 2. Recording and Documentation Process

I 2.1 Direct Billing of Travel Expenditures

P.54
6.28

A Comptroller General Instruction has been issued prohibiting direct billing of travel expenditures to the government except airline charges.

I 2.2 Full Details of Travel

P.54
6.29

The Office of the Comptroller General is working with officers in the ministries who approve travel expense claims, to establish procedures ensuring that all relevant and essential details are recorded on claim forms before review and approval.

I 2.3 Matching Direct Billings to Travel Vouchers

P.54
6.30

The Comptroller General has prepared an instruction to the ministries to implement procedures for direct billings to ensure that services have been received and duplicate payments are avoided. Employees travelling will be required to sign the direct billing document or its support and the billing document will be cross-referenced to the related travel voucher.

I 2.4 Approval for Receipt of Services

P.54
6.32

Certification for receipt of services is provided by the travel claimant on the new Travel Voucher form TB-FIN 10.

I 3. Approval

I 3.1 Requirements for Officers Authorized to Approve Travel Expenditures

P. 56
6.38

As stated in the 1982 *Report*, Treasury Board Policy 9.3 of the Financial Administration Policy Manual and Chapter 5.4 of the Financial Administration Procedures Manual give direction with respect to budgetary responsibility, spending and payment authority and specific rules for approving travel allowances. The spending authority, who has budgetary responsibility, must know and approve the circumstances under which a charge is made against his budget. The payment authority must be satisfied regarding compliance with all applicable directives and legislation.

Section, Subsection	Auditor General's Reference (1982 Report)
I 3.2 Knowledge of Approval Procedures	**P.56 6.39**
Ministries will be assisted by the Office of the Comptroller General in training officers with delegated spending authority for travel expenditures to become more fully aware of the requirements of the policies and procedures. (See also I 2.2)	
I 3.3 Monitoring the Approval Process	**P.56 6.40**
Treasury Board Policy 9.3 requires ministries to document their specific procedures for account verification. Ministry Executive Financial Officers are accountable for the quality of these procedures and their overall application. The Office of the Comptroller General will conduct tests of these procedures to ensure compliance with policy.	
I 4. Accumulating and Reporting Travel Expenses	**P. 56–58 6.41–6.46**
The Office of the Comptroller General will reassess the purpose of accumulating and reporting travel expenses for each employee.	

Section, Subsection	Auditor General's Reference (1982 Report)

J REVIEW OF INTERNAL AUDIT

J 1. Developing Internal Audit Capacity

P. 89
7.94

An Audit Director within the Internal Audit Division has been assigned training and development responsibilities for internal auditors throughout government.

The mechanism for identifying the requirements is at present under development. Needs within the Internal Audit Division should be identified by December 31, 1983. The remaining needs throughout government should be identified by March 31, 1984.

J 2. Supporting and Directing Internal Audit

P. 89–90
7.95–7.98

These matters are addressed in the "Standards" which is now completed and ready for publication.

J 3. Improving Internal Audit Efficiency and Effectiveness

P. 90
7.99

The Auditor General's comments have been most constructive and useful in completing the "Standards".

J 4. Location of Internal Audit

P. 90–91
7.100-7.101

The Office of the Comptroller General is committed to the development of internal audit groups within the larger ministries. In support of this objective a senior member of the Internal Audit Division was recently seconded to a major ministry to implement internal audit in the ministry and the Comptroller General is examining the possibility of extending this assistance to at least two other ministries.

The matter of funding of internal audit services in the smaller ministries is under review in conjunction with other possible alternatives consistent with government restraint policies.

J 5. Reporting Relationships

P. 91
7.102

The "Standards" require that the Head of Internal Audit report direct to the Deputy Minister.

J 6. Audit Committees

P. 91–92
7.103-7.104

The "Standards" recommend that each Deputy Minister establish an audit committee for the reasons and purposes mentioned by the Auditor General.

J 7. Coordination

P. 92
7.105

Part 3 of the "Standards" addresses the need for coordination of all review and evaluation activities including coordination with the activities of the Auditor General.

The Internal Audit Division makes a practice of giving its audit plans and schedules to the Office of the Auditor General. As well, a Director of the Internal Audit Division has been given liaison responsibility with the Office of the Auditor General.

J 8. Terms of Reference

P. 92–93
7.106-7.110

A suggested Ministry Policy on Internal Auditing is included in the "Standards" as Appendix A.

Section, Subsection	Auditor General's Reference (1982 Report)

J 9. Skills Availability — P. 93–94, 7.111-7.112

The needs identification within the Internal Audit Division will be completed by December 31, 1983. The remaining needs identification throughout government should be completed by March 31, 1984.

Every effort is being made to improve internal audit capacity consistent with the restrictions imposed in the current restraints on spending.

Limited contracting for resources from public accounting firms has already occurred and consideration is being given to seconding personnel from the Internal Audit Division to implement the internal audit function in the ministries.

J 10. Use of Outside Audit Staff — P. 94, 7.113-7.114

A proposal to retain outside auditors on contract for the examination of government contracts, where audit costs are partially recoverable from the federal government, is under consideration.

J 11. Performing Comprehensive Auditing Internally — P. 94–95, 7.115-7.116

No change from the response given in the 1982 *Report*.

J 12. Development of Formal Guidance — P. 95, 7.117

No change from the response given in the 1982 *Report*.

J 13. Implementation Considerations — P. 95, 7.118

No change from the response given in the 1982 *Report*.

J 14. Role of the Internal Audit Division — P. 96, 7.119-7.120

The "Standards" document now being published addresses the functional leadership, broad issues and service roles of the Internal Audit Division.

K. PROGRESS INDEX

Issue	Auditor General's 1982 Report Reference Paragraph	Page	Status
STATUS OF GENERAL FINDINGS IN PREVIOUS REPORTS OF THE AUDITOR GENERAL			
F1 Government Accounting Policies		23	See comments in C1.
F2 Application of New Accounting Policies		23	Action being taken
F3 Comments on the Financial Statements			
F3.1 Control over Securities Lodged as Deposits		23	Action being taken
F3.2 Loan Agreement Terms		23	Resolved
F3.3 Verification of Income Taxes Payable		24	Resolved
F3.4 Unrecorded Asset		24	Resolved
F3.5 Mortgage Interest—Provincial Home Acquisition Fund		24	Resolved
F3.6 Interest on Accounts Receivable		24	Resolved
F3.7 Accrued Interest—Crown Land Fund		24	Resolved
F4 Ministry of Attorney General—Fee Collection		24	Resolved
F5 Ministry of Finance		25	Resolved
F6 Ministry of Health			
F6.1 Patient Trust Accounts		25	Action being taken
F6.2 Control Accounts		25	Resolved
F6.3 Hospital Insurance Fund		25	Action being taken
F6.4 Emergency Health Services Commission		25	Resolved
F6.5 Patient Maintenance Accounts		25	Action being taken
F7 Ministry of Lands, Parks and Housing		25	Resolved
F8 Ministry of Provincial Secretary and Government Services			
F8.1 Certificate of Statement of Accounts		26	Action being taken
F8.2 Inventory Accounting System		26	Resolved
F9 Public Bodies		26	Resolved
STATUS OF FINDINGS IN PREVIOUS FINANCIAL MANAGEMENT AND CONTROL AUDITS			
G1 Ministry of Education			
G1.1 Staffing and Training			
G1.1.1 Assessment of Training Needs		27	Action being taken
G1.1.2 Training and Career Development Policy		27	Action being taken
G2 Ministry of Finance		28	Resolved
G3 Ministry of Forests			
G3.1 Management of Forests			
G3.1.1 Comprehensive Development Plan		28	Resolved
G3.1.2 Financial Staff Requirements		29	Action being taken
G3.1.3 Financial Staff Training Needs		29	Action being taken

K. PROGRESS INDEX

Issue	Auditor General's 1982 Report Reference Paragraph	Page	Status
G3.2 Planning, Budgeting and Budgetary Control			
G3.2.1 Planning Process		**29-30**	Action being taken
G3.2.2 Variance Analysis		**30**	Resolved
G3.3 Accounting and Financial Reporting Systems			
G3.3.1 Financial Management Information System		**30**	Action being taken
G3.3.2 Duplication of Reporting Systems		**30**	Action being taken
G3.4 Section 88 Credits			
G3.4.1 Guidelines for Projects Undertaken Before Approval		**31**	Action being taken
G3.4.2 Standardization of Schedules		**31**	Action being taken
G3.5 Assets			
G3.5.1 Doubtful Accounts		**31**	Action being taken
G3.5.2 Asset Policy		**31**	Action being taken
G4 Ministry of Health			
G4.1 Management of the Financial Function			
G4.1.1 Role of the Central Financial Group		**32**	Action being taken
G4.1.2 Financial Staffing Requirements		**32**	Resolved
G4.1.3 Financial Administration Policy Manual		**32**	Action being taken
G4.2 Planning, Budgeting and Budgetary Control		**33**	No action
G4.3 Accounting and Financial Reporting Systems		**33**	Action being taken
G4.4 Expenditure and Revenue Controls		**33**	Action being taken
G4.5 Internal Audit			
G4.5.1 Internal Audit Needs		**34**	Action being taken
G4.5.2 Internal Audit Role		**34**	Action being taken
STATUS OF FINDINGS IN PREVIOUS COMPREHENSIVE AUDITS			
Ministry of Environment			
H1 Program Management and Accountability Information			
H1.1 Functional Guidance and Direction		**35**	Action being taken
H1.2 Definition of Responsibilities		**35-36**	Action being taken
H2 Controls in the Waste Management Program			
H2.1 Development of Program Policies and Procedures		**36**	Action being taken
H2.2 Identification and Collection of Information		**36-37**	Action being taken
H2.3 Maintaining a Discharger Inventory		**37-38**	Resolved
H2.4 Review of Current Permits		**38**	Resolved
H2.5 Assessing the Grounds for Deferment of Negotiated Abatement Agreements		**38**	Resolved
H2.6 Policy and Procedures for Data Submission		**38**	Action being taken
H2.7 Policy and Reporting Procedures for Inspections		**38**	Action being taken
H3 Financial Management and Control			
H3.1 Assessing the Number and Quality of Staff		**39**	Action being taken
H3.2 Quality of Budget Submissions		**39-40**	Action being taken